

Report of the Chief Financial Officer

DRAFT REVENUE BUDGET 2012/13 & INDICATIVE BUDGETS TO 2015/16

1. Purpose of Report

The purpose of this report is to enable members to approve the 2012/13 net revenue budget requirement, along with the associated council tax requisite calculation required by statute.

Indicative budgets are also included for 2013/14 to 2015/16.

Recommendations

1. Members are asked to approve the Finance & General Purposes Committee recommendation for a:
 - revenue budget of £95.699 million, which results in a Council Tax precept of £198.54 (£189.09 in 2011/12) for a Band D property, which equates to a 5% Council Tax increase for 2012/13
2. Members are asked to approve the Council Tax requisite calculations for 2012/13 which reflect the decision of 1 above ([Appendix A](#))

Members are asked to note the budget background paper which Members of the Finance and General Purposes Committee considered in detail at their meeting on the 9th February 2012 in which the Chief Financial Officer recommends a 5% council tax increase which is attached at [Appendix B](#).

3. Members are asked to approve the Treasury Management Policy for 2012/13.
4. Members are asked to approve the Annual Investment Strategy for 2012/13.
5. Members are asked to approve the Prudential Indicators and the 5 year Capital Programme

2. Finance and General Purposes Committee Recommendation

Members of the Finance and General Purposes Committee meeting held on the 9th February 2012, considered the draft detailed budget proposals presented by the Chief Financial Officer which require a 5% council tax increase.

The proposals set out in this report have been robustly scrutinised by the Financial Governance Group and have the full support of the Chief Constable who is advocating a 5% increase in the precept level for 2012/13.

At the Finance and General Purposes Committee meeting the Chief Financial Officer referred to the level of government funding expected in 2015/16, which will be less in cash terms than 20 years ago.

Decisions on floor funding or damping support for the last two years of the settlement - 2013/14 and 2014/15, have not been announced as these have not been decided upon by Ministers. The Home Office has confirmed that it is the Home Secretary's intention to look again at damping arrangements for 2013/14 and 2014/15 and review

the formal allocation. This would have catastrophic consequences for Dyfed Powys Police as we currently receive £9m in damping funding.

Members of the Committee were cognisant of the current financial challenges such as the Winsor Review which would lead to an estimated increase in expenditure of over £530,000 and the National Police Air Service which would require an additional £349,000 to be included in the budget. Members also acknowledged that there were uncertainties surrounding the future of the Neighbourhood Policing grant.

Following detailed discussions, the proposal presented was passed unanimously.

It was agreed that in agreeing the recommendation, it was important to record the concerns at the consistent increase in the percentage of the police budget that was paid for by the local tax payer in comparison to the consistent decrease in the percentage that was paid for by government funding. Members agreed unanimously that these concerns should be carried forward to the Police Authority.

In reaching a decision which it considers appropriate the Police Authority must have regard to all relevant factors, including the likely impact of budget proposals on Dyfed Powys Police force and on the level of council tax to be met by tax payers across the Dyfed Powys area.

This report and associated appendices provide the relevant information to enable Members of the full Police Authority to approve the council tax determinations for 2012/13 which they consider appropriate and also achieves the statutory requirements of the Chief Financial Officer.

3. Public Opinion

In order to provide Members with evidence to gauge whether public opinion is supportive of an increase in the Council Tax precept to protect policing services locally, a survey was carried out of public opinion on the following question: "How willing or unwilling would you be to pay an additional amount per week to your Council Tax to protect services provided by your Police Force?"

Based on 1,812 responses, the majority i.e. 1,390 of those consulted stated that they would be either "very" or "fairly" willing to pay up to an additional 15 pence per week towards their Council Tax precept to protect policing services locally. Results also demonstrated that out of 1,614 responses, a large proportion i.e. 1,009 of those consulted with would either be "fairly" or "very" willing to pay an additional 16-30 pence per week.

4. Final Funding Settlement

The Authority received notification from the Minister of State for Policing and Criminal Justice outlining the final police settlement for the Welsh police authorities for 2012/13 on the 31st January 2012.

The final settlement remains unchanged from the provisional settlement.

The Settlement will see Dyfed Powys Police core grants reduce by 6.7% in 2012/13, in common with all other police authorities in England and Wales. This equates to a loss in core grants of £7.012 million over the period 2011/12 and 2012/13. This is in addition to the £798k lost from revenue as a result of the emergency budget announcement in June 2010.

For comparative purposes government funding received since 2009/10 is detailed on the table over the page. Indicative figures are provided for 2013/14 to 2015/16.

Funding Source	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Police Grant	30,850	30,998	31,608	29,388	31,095	30,500	30,500
Floor Grant	5,674	6,440	9,200	9,000	6,634	5,639	4,500
Revenue Support Grant	2,541	2,267	3,714	166	15,445	15,237	15,237
NNDR	15,362	16,083	13,401	15,486			
Rule 2 Grants	3,265	2,765	0	0	0	0	0
Crime Fighting Fund	2,289	2,289	0	0	0	0	0
Basic Command Unit	217	217	0	0	0	0	0
Neighbourhood Policing Fund	1,595	1,595	1,595	1,595	0	0	0
Total Government Funding	61,793	62,654	59,518	55,635	53,174	51,376	50,237

Rule 2 special formula grants, the Crime Fighting Fund and Basic Command Unit Grant were consolidated into the police funding formula from 2011/12.

Neighbourhood Policing

The Policing Minister has confirmed that he will continue to provide specific Neighbourhood Policing Fund for the first two years of the settlement period. The Neighbourhood Policing Grant allocation for Dyfed Powys is as follows:

Funding Source	2010/11 Original	2010/11 Revised	2011/12	2012/13	2013/14	2014/15
	£'000	£'000	£'000	£'000	£'000	£'000
Neighbourhood Policing fund	1,595	1,595	1,595	1,595	0	0

The Authority will also receive a grant totalling £7.258m from the Welsh Government for an additional 74 PCSO's over the period 2011/12 to 2015/16:

Funding Source	2011/12	2012/13	2013/14	2014/15	2015/16	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Total Recurring Costs	138	1,804	2,344	2,476	0	6,763
Total Non-Recurring Costs	87	112	0	0	296	496
Total Expenditure	226	1,917	2,344	2,476	296	7,258
Total Income	(226)	(1,917)	(2,344)	(2,476)	(296)	(7,258)

Capital Grant 2012/13 and indicative allocations to 2015/16

Under the settlement the Authority will receive an additional £0.200 million in the 2012/13 capital grant allocation:

Funding Source	2011/12	2012/13	2013/14	2014/15	2015/16
	£'m	£'m	£'m	£'m	£'000
Capital Grant	0.6	0.8	0.7	0.8	0.9

5. Net Revenue Budget Requirement

A council tax increase of 5% produces a net revenue budget requirement of £95.699 million which is a 1.68% decrease on the 2011/12 net revenue budget. The force has undertaken a detailed analysis of the budget requirement for 2012/13 along with indicative budgets for 2013/14 to 2015/16.

Taking into account inflation, known commitments and the impact of the Comprehensive Spending Review there is a savings requirement of £4.558 million in 2012/13.

The detailed budget proposals are included in [Appendix B](#) to this report

6. Council Tax Precept

In order to fund the budget requirement of £95.699 million there is a council tax funding requirement of £41.658 million resulting in a council tax increase of 5%. Based on a Band D property this equates to £198.54 compared to £189.09 in 2011/12, an increase of 18p per week. Every 1% increase in the council tax precept equates to £395,000 additional budget.

7. Council Tax Requisite Calculation 2012/13

Having considered the options for the revenue budget, the council tax requisite calculations for 2012/13 have been calculated in accordance with section 43 of the Local Government Finance Act 1992. Police Authorities should have regard for the level of grant received from the Home Office. For financial year 2012/13 the main source of funding from the Home Office will come in two forms, the police grant and the floor funding provided under section 31 of the Local Government Act 2003.

The council tax requisite calculations for 2012/13 for the precept increase proposal of 5% are set out in [Appendix A](#).

8. Statement on Reserves

The Chief Financial Officers Statement on Reserves is included in the detailed budget paper at [Appendix B](#)

9. Budgetary Risk

The Chief Financial Officers consideration of budgetary risk Statement on Reserves is included in the detailed budget paper at [Appendix B](#)

10. Local Government Act 2003 – “Section 25” Statement

Section 25 of the Local Government Act 2003 requires Members to have regard to a report from the Chief Financial officer when it is considering its budget and council tax levels. The following reports on the robustness of the estimates and the adequacy of the reserves allowed for in the budget proposals, so Members will have authoritative advice available to them when they make their decision.

The Police Authority decides every year how much they are going to raise from council tax. The decision is based on a budget that sets out estimates of the planned spend. Because the decision on council tax is made before the year begins and it cannot be increased during the year, consideration has to be given to the risks and uncertainties that might force more to be spent on the service than planned. Allowance is made for these risks by:

- making prudent allowance in the estimates for each of the services, and in addition

- ensuring that there are adequate reserves to draw on if the service estimates turn out to be insufficient.

In the summer of 2010, Dyfed Powys Police showed a commitment to “early, determined action” following the announcement of in year budget cuts. The force has engaged senior management throughout the organisation in performing a spending review to identify projected required savings. A savings plan has been compiled and is being monitored and reported upon. This scrutiny of cost reduction plans has continued throughout 2011/12

The Financial Governance Group (formerly the Budget Working Group) meets throughout the year. The aims of this group which comprises Police Authority and force representatives are:

- to discuss the medium term to long term financial plan highlighting any potential barriers to its delivery
- to monitor the implementation of the agreed cost reduction plans by the force following the Comprehensive Spending Review, for the period to 15/16
- to keep informed of the key issues, threats and outcomes that affect the delivery and development of the three year financial plan
- to act as an oversight group for the implementation of any financial management issues associated with the proposed introduction of the Police and Crime Commissioners.

A draft budget for 2012/13 and indicative budgets for 2013/14 to 2015/16 have been compiled, taking into account inflation, known commitments and the impact of the Comprehensive Spending Review.

The Financial Governance Group met on the 20th June 2011, 12th December 2011, the 6th and 25th January 2012 to discuss the draft budget position, including the cost savings plan and the financial settlement.

Members of the Finance and General Purposes Committee have been kept up to date on developments throughout the financial year. The Finance and General Purposes Committee received draft budget proposals at their meetings on the 17th December 2011 and 9th February 2012.

On the 13th December 2010, the Minister of State for Policing and Criminal Justice, Nick Herbert announced details of the aggregate amount of grant available for Police Authorities in England and Wales for 2011/12 together with an indication of how Home Office funding would be allocated for the years 2012/13 to 2014/15.

The Authority received notification from the Minister of State for Policing and Criminal Justice outlining the final police settlement for the Welsh police authorities for 2012/13 on the 31st January 2012. The proposed final settlement remains unchanged from the provisional settlement.

Members at the Finance and General Purposes Committee on the 9th February 2012 considered the draft budget position presented to them of a 5% council tax increase. Following detailed discussions, the proposal presented was passed unanimously.

Keeping council tax under control remains a priority for the Government and both budget proposals presented to the Police Authority at their meeting today are within stated guidelines. It is however my opinion that a 5% council tax precept should be approved so as not to jeopardise the achievement of the savings plan which in turn will impact on front line policing. Deliverability of the savings plan has to be considered risky in view of all factors. Uncertainty also surrounds future Government

policy in respect of the funding formula, floor grant, capping and damping arrangements.

Members have therefore been presented with a budget which aims to achieve a balance between the spending pressures identified and tax payers expectations.

At the Finance and General Purposes Committee meeting held on 13th June 2011, Members were informed that the General Reserve balance had been increased during the year by £365k to £2.8m. This balance equates to 3% of the net revenue budget as defined in the Medium Term Financial Plan.

Based on an analysis of the level of general reserves held by our Most Similar Forces (MSF) it is suggested that the level of general reserve increases to 3.9% of the proposed 2012/13 net revenue expenditure budget, which equates to £3.800 million (£2.8 million at 31st March 2011). This is more in line with the average for our MSF. It is suggested that this balance is retained at this level given the projected budget reductions in the next four financial years.

As Chief Financial Officer, I am satisfied that there has been a thorough and robust budget process and that due allowance has been made in relation to the matters mentioned above. In my opinion there are no major omissions to draw to Members' attention and I believe that my responsibilities under Section 25 of the Local Government Act 2003 have now been discharged.

Andrew Bevan

Dyfed Powys Police Chief Financial Officer

17th February 2012

11. Appendices

- Appendix A – Council Tax Requisite Calculation at precept increase of 5%

Requisite Calculation @ 5% increase	
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- Appendix B – Draft Revenue Budget 2012/13 to 2015/16

Final Draft Revenue Budget	
Variation Statement – Annex B to Appendix B	

The following policies and strategies for 2012/13 were presented to Members at the Finance and General Purposes Committee meeting held on the 9th February 2012 and were recommended for approval by the full Police Authority:

Treasury Management Policy Statement 2012/13	Click here to view the below papers (as presented to the Finance and General Purposes Committee on 9 th February 2012)
– Appendix A	
– Appendix B	
– Appendix C	
– Appendix D	
– Appendix E	
– Appendix F	
– Appendix G	
– Appendix H	
– Appendix I	
– Appendix J	
– Appendix K	
– Appendix L	

Investment Strategy 2012/13	
– Appendix A	

Prudential Indicators and 5 year Capital Programme.	
– Minimum Revenue Provision Guidance - Annex A	
– Capital Strategy - Annex B	
– Capital Programme - Appendix A to Annex B	

12. Impact Consideration

Implication	Impact Considered (Yes/No)	Impact Identified (paragraph reference)
Legal	Yes	Paragraph 10
Financial	Yes	Main Report
Race and Equality	Yes	N/A
Human Rights	Yes	N/A
Environmental and Sustainability	Yes	N/A
Risk Analysis	Yes	Paragraph 9
National Park Implications	Yes	N/A

13. Background papers

Finance and General Purposes Committee papers 9th February 2012

14. Contact details

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